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SUBJECT: MAJOR ACHIEVEMENTS OF AMERICAN ASSISTANCE TO NEPAL  
OVER 50 YEARS: PROTECTING THAT LEGACY

Summary

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[1](#)1. Nepal emerged from its feudal isolation in the 1950s with virtually no modern economic infrastructure and little intellectual capital. Development, while still very uneven, has improved the lives of many Nepalis, whose number has tripled in the past half century. The US Government, as one of the country's leading donors, has achieved an impressive list of accomplishments in assisting Nepal's development. Although the Maoists originally capitalized on popular frustrations with the pace of development, they are now a main cause of lagging indicators. Continued US assistance is essential to protect these achievements and strengthen the capacity of the Government of Nepal to address the political, administrative, and developmental causes of the insurgency.  
End Summary.

Out of the Mountains and Jungles . . .

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[1](#)2. In February 1951, King Tribhuvan opened Nepal's borders and invited international assistance. Responding aid agencies and charitable organizations found a nation with a highly centralized government, focused on law and order and taxation; a subsistence, agrarian economy, dominated by large landowners adverse to change; and a near total lack of physical infrastructure, including roads, telecommunications, hospitals, and schools. The Government of Nepal (GON), moreover, had no programs in place to address the human development needs of the Nepali people. Government bureaucrats were incapable of formulating and directing policies to transform Nepal's economy and improve basic social services.

[1](#)3. In 1951, Nepal's literacy rate was 2 percent. The country of 8 million had only 300 college graduates. Infant mortality stood at 255 per 1,000 live births, and life expectancy was a short 28 years. Electricity served only an elite few in the Kathmandu Valley, and even this limited capacity was subject to frequent brown-outs and generator breakdowns. Throughout the country, 92 to 96 percent of the population worked in agriculture. A 1961 census found only 6 cities of 10,000 or more people and 10 towns of 5,000 to 10,000 people. It is estimated that Nepal had no more than 400 kilometers of roads, of which a mere 4 to 5 kilometers were paved.

. . . Into Internet Cafes and Five-Star Hotels

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[1](#)4. Nepal, on the cusp of 2003, has leapt into the internet age in the span of two generations. Large cities boast internet cafes, five-star hotel accommodations, and services on par with the developed world. Rural areas are still largely reliant on rain-fed agriculture, but some now supplement their incomes with light industries powered by electricity. Government services have been made available at the village and district level, and local governments have been given greater authority and fiscal responsibility. The nation has produced a class of technocrats, now numbering 10,000, which are better able to plan for and respond to long-term development needs. The same crop of educated Nepalis has organized an estimated 25,000 non-governmental organizations addressing a wide range of social, economic, and educational issues.

[1](#)5. The statistics on Nepal's development show impressive progress. Nepal has built 25,689 public schools and 8,547 private schools, sufficient to provide 88 percent of households with access to primary schools within half an hour of travel. Adult literacy has risen to 62 percent for men and 28 percent for women, with 12,000 Bachelor of Arts degrees awarded per year. Before the destruction of medical facilities by Maoist terrorists, 45 percent of Nepali households had access to basic health facilities. Infant mortality has dropped to 64 per 1,000 live births with life expectancy doubling since the 1950s. The segment of the population that continues to work in agriculture has dropped to 78 percent, and the Kingdom attained self-sufficiency in

food in the mid-1990s. These gains are more astounding in the face of a population that tripled in fifty years to 24 million.

16. In addition to improvements in social statistics, Nepal has made significant gains in infrastructure: 69 percent of households live within one hour of a motorable road; telephone services connect 250,000 households, and rapid cellular deployment in 2003 will connect another 80,000 throughout the Terai; electricity serves 18% of the population with sufficient surplus to allow export to neighboring countries; and nearly every district headquarters boasts a hospital. Civic and political awareness have also burgeoned with the dramatic increase in media sources. Nepal's public is now served by 22 radio stations (from its first station established in 1951), three national television stations, and 1,750 newspapers (including 12 broadsheets).

#### Significant American Contribution

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17. The USG has been one of the largest, most consistent donors in Nepal. The US helped the GON write its first regular budget in 1952. The US Operation Mission (later USAID) and the Peace Corps have addressed the underlying factors of poverty, enhancing education, good governance, agriculture, and health care. Among the outstanding contributions of USAID-Nepal are the following:

- nearly eliminating malaria from the Terai, which is now the home of half of Nepal's population and source of 65 percent of Nepal's foodgrains;
- reducing the fertility rate by 20 percent since 1991;
- expanding access to child health programs;
- providing Vitamin A supplements to 3.5 million children, thereby saving 50,000 young lives a year;
- assisting in raising the literacy rate from 2 percent in 1951 to 57 percent today;
- providing technical and academic training to about 5,785 Nepalis, from 1952 to 2002;
- diversifying and commercializing agriculture, reducing malnutrition; and
- attracting over \$300 million in private investment in hydropower, which has brought electricity to 18% of the population.

Current programs focus on tackling the poverty, weak delivery of social services, and poor governance that abetted the insurgency.

#### Poor Governance has Delayed Progress

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18. Nepal's giant developmental leap from near stagnation in 1951 unfortunately has not kept pace with the development pace of its regional neighbors and the expectations of the Nepali people. Much of the blame falls upon slow advances in governance and the difficult topography of Nepal. On December 9, the United Nations Development Program (UNDP) praised Nepal's 2001 Human Development Report for identifying the challenges in meeting the country's Millennium Development Goals. (The UN's Millenium Development Goals establish targets for specific indicators of development to be met over a fifteen year period.) The report recognizes the progress made in improving the human condition in Nepal and challenges the government to reduce the misuse of public resources by increasing transparency and accountability.

19. On December 19, the World Bank completed a review of its Country Assistance Strategy and found that Nepal had made significant strides in governmental reform--specifically, the hiring of new management for the two large government-owned banks and significant progress in corruption arrests and investigations. The Bank elevated Nepal's lending profile from "low case" to "base case" with the condition that the GON continue its drive to improve governance and financial sector reform. The World Bank's Country Director stated, "It is obvious that there are serious security concerns and political uncertainty, but when one looks past them, one sees an impressive record of reforms sustained by successive governments over the last year or so." Looking past day-to-day security and political crises, the Bank credits the valuable work accomplished in Nepal over the last year.

#### Nepal's Maoists: A Symptom and Cause of Lagging Development

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110. Frustration with the pace and distribution of development underlie Nepal's Maoist insurgency, whose bases of support are found in the most isolated and poorest parts of the country. The Maoists originally based their call for revolution on the glaring inequities in Nepal's society that development aid had not succeeded in redressing. Over the past two years, savage violence has cost the Maoists their early image as socially conscious "Robin Hoods". With systematic attacks on infrastructure and health services, seizure of private food supplies, impressment drives targeting children, and extortion, they increasingly appear

to be ruthless opportunists with little concern for the long-term consequences of their actions. Definitive statistics measuring the effects of the Maoists' destruction and intimidation will not be available for some time. However, the Maoists have destroyed 700 schools (affecting over 100,000 children), 505 post offices, 14 bridges, and nearly half of all local government offices (including 1,529 Village Development Committee offices and significantly damaged 14 health posts adjoining those offices). The growing toll of the insurgency is scaring away donor projects in needy conflict areas, delaying private sector investment, and dampening demand for Nepal's manufactured goods. Reports of bombings, arson, and extortion have dealt a body blow to Nepal's important tourism industry, with arrivals falling to 216,000 in 2002 from their high of 400,000 in 2000.

Comment

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11. Despite fifty years of growth, Nepal still does not have the resources to finance its own development. The Government of Nepal still counts on donor countries and international non-governmental organizations to fund improvements in basic social infrastructure and poverty alleviation. The US Government's contributions since 1951 have played a major role in preventing a disastrous collision between Nepal's limited resources and expanding population. The current insurgency is, in part, a manifestation of increased popular awareness and rising expectations. The cumulative results of US and other outside assistance could be swept away by a rising tide of Maoist violence, if traditional donors do not maintain their support during the current security crisis. If anything, the Government of Nepal needs more--not less--assistance to re-establish the administrative infrastructure being destroyed by the Maoists.

MALINOWSKI